



**HOUSE COMMITTEE ON THE BUDGET**  
Majority Caucus

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## MOST OF SURPLUS WENT TO TERRORISM, ECONOMY

Most of the decline in budget surplus projections is the result of terrorism-related spending and the current economic recession, according to a preliminary staff analysis by the House Committee on the Budget. The analysis shows that about 80 percent of the projected fiscal year 2002 surplus decline, and two-thirds of fiscal year 2003's, resulted from these two factors. The analysis further indicates these same factors contributed more than half of the 10-year decline in budget surpluses.

The Committee analysis was conducted in anticipation of *The Budget and Economic Outlook*, to be published by the Congressional Budget Office [CBO] on or about 31 January. The annual CBO estimates form the basis for congressional budgeting. The House Budget Committee analysis provides an early look at what CBO's numbers are likely to show. Key points (see table):

- The effect of the slowing economy reduced CBO's fiscal year 2003 surplus estimate by \$88 billion between January and August last year. Additional economic effects since then – mostly from the 11 September

terrorist attacks – lowered the 2003 surplus projection by another \$125 billion. Over the 10-year period of 2002 through 2011, these economic factors alone are expected to contribute a reduction of about \$1.7 trillion from the \$5.6-trillion surplus projected by the Congressional Budget Office last January.

- Spending on various antiterrorism measures drew another \$29 billion (including debt service) from the surplus in 2003 and \$344 billion over 10 years.
- In comparison, the tax relief legislation signed by the President is expected to have a total impact on the surplus of \$99 billion in 2003 and \$1.66 trillion over 10 years. The 10-year effect is about equal to the impact of the economic slowdown, and significantly less than the combined effects of the economy and antiterrorist spending.

Although the projections may show a deficit in 2003, CBO may project surpluses reappearing as early as 2004, if Congress keeps spending under control.

**Causes of Surplus Changes**  
(by fiscal year, in billions of dollars)

	2002	2003	2002-2006	2002-2011
Total Surplus (CBO, January 2001)	313	359	2,007	5,610
Economic/Technical Changes Between CBO's January-August Baselines <sup>a</sup>	-88	-88	-386	-653
Staff Estimated Economic/Technical Changes Since CBO August Baseline <sup>a</sup>	-141	-125	-520	-1,071
Antiterrorism Legislation <sup>a</sup>	-24	-29	-147	-344
<b>Total: Economic/Technical Changes Plus Antiterrorism Legislation<sup>a</sup></b>	<b>-253</b>	<b>-243</b>	<b>-1,053</b>	<b>-2,068</b>
MEMORANDUM				
Economic Growth and Tax Relief Act (Public Law 107-16) <sup>a</sup>	-43	-99	-555	-1,660

<sup>a</sup> Includes debt service.

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This document was prepared by the majority staff of the House Committee on the Budget. It has not been approved by the full committee and therefore may not reflect the views of all the committee's members.